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HERSHEY COOPERATIVE TELEPHONE COMPANY AND SUBSIDIARY
HERSHEY, NEBRASKA
DECEMBER 31, 2012 AND 2011

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TABLE OF CONTENTS

<u>Description</u>	<u>Page No.</u>
Independent Auditors' Report	1 - 2
Consolidated Balance Sheets	3
Consolidated Statements of Income	4
Consolidated Statements of Changes in Stockholders' Equity	5
Consolidated Statements of Cash Flows	6 - 7
Notes to Consolidated Financial Statements	8 - 14
Additional Information	
Independent Auditors' Report on Consolidating Information	15
Schedule I - Consolidating Balance Sheet	16
Schedule II - Consolidating Statement of Income, Patronage and Other Equities	17
Schedule III - Consolidating Statement of Cash Flows	18 - 19

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Erickson & Brooks

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INDEPENDENT AUDITORS' REPORT

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Board of Directors
Hershey Cooperative Telephone Company
Hershey, Nebraska

We have audited the accompanying consolidated financial statements of Hershey Cooperative Telephone Company (a Nebraska corporation) and subsidiary, which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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OCT 24 2013

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hershey Cooperative Telephone Company and subsidiary as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

ERICKSON & BROOKS

Erickson & Brooks

Fremont, Nebraska
February 1, 2013

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HERSHEY COOPERATIVE TELEPHONE COMPANY AND SUBSIDIARY HERSHEY, NEBRASKA CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2012 AND 2011

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ASSETS

	<u>2012</u>	<u>2011</u>
Current assets:		
Cash	\$ [REDACTED]	\$ [REDACTED]
Temporary investments (Note 2)	[REDACTED]	[REDACTED]
Accounts receivable, net	[REDACTED]	[REDACTED]
Other accounts receivable	[REDACTED]	[REDACTED]
Interest and dividends receivable	[REDACTED]	[REDACTED]
Materials and supplies	[REDACTED]	[REDACTED]
Prepaid expenses (Note 5)	[REDACTED]	[REDACTED]
Prepaid income taxes	[REDACTED]	[REDACTED]
Noncurrent assets:		
Investments:		
Long-term cash investments	[REDACTED]	[REDACTED]
Nonregulated equipment - net (Note 4)	[REDACTED]	[REDACTED]
Other noncurrent assets	[REDACTED]	[REDACTED]
Intangible assets	[REDACTED]	[REDACTED]
Property, plant and equipment: (Note 3)		
Telecommunications plant in service	[REDACTED]	[REDACTED]
Accumulated provision for depreciation	[REDACTED]	[REDACTED]
	\$ [REDACTED]	\$ [REDACTED]

LIABILITIES AND EQUITIES

	<u>2012</u>	<u>2011</u>
Current liabilities:		
Accounts payable	\$ [REDACTED]	\$ [REDACTED]
Customer deposits	[REDACTED]	[REDACTED]
Advance billings and payments	[REDACTED]	[REDACTED]
Accrued expenses	[REDACTED]	[REDACTED]
Patronage dividends payable	[REDACTED]	[REDACTED]
Other current liabilities	[REDACTED]	[REDACTED]
Other liabilities and deferred credits:		
Deferred income taxes (Note 6)	[REDACTED]	[REDACTED]
Stockholders' equity:		
Membership certificates, \$ [REDACTED] per certificate	[REDACTED]	[REDACTED]
Patronage capital assigned	[REDACTED]	[REDACTED]
Retained earnings	[REDACTED]	[REDACTED]
	\$ [REDACTED]	\$ [REDACTED]

The accompanying notes are an integral part of these financial statements.

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HERSHEY COOPERATIVE TELEPHONE COMPANY AND SUBSIDIARY HERSHEY, NEBRASKA CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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	<u>2012</u>	<u>2011</u>
Operating revenues:		
Basic local network services	\$ [REDACTED]	\$ [REDACTED]
Network access services		
Billing and collection services		
Miscellaneous		
	[REDACTED]	[REDACTED]
Less: uncollectible revenues	[REDACTED]	[REDACTED]
Total operating revenues	[REDACTED]	[REDACTED]
Operating expenses:		
Plant specific operations	[REDACTED]	[REDACTED]
Plant nonspecific operations		
Depreciation and amortization		
Customer operations		
Corporate operations		
Other taxes		
	[REDACTED]	[REDACTED]
Operating income	[REDACTED]	[REDACTED]
Other income (expense):		
Interest and dividend income	[REDACTED]	[REDACTED]
Miscellaneous expense		
Nonregulated income (loss) (Note 4)		
	[REDACTED]	[REDACTED]
Income before income taxes	[REDACTED]	[REDACTED]
Income taxes (Note 6)	[REDACTED]	[REDACTED]
Net income	\$ [REDACTED]	\$ [REDACTED]

The accompanying notes are an integral part of these financial statements.

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HERSHEY COOPERATIVE TELEPHONE COMPANY AND SUBSIDIARY
HERSHEY, NEBRASKA
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

Received & Inspected

OCT 24 2013

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	<u>Membership Certificates</u>	<u>Patronage Capital Assigned</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance December 31, 2010	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Net income	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Decrease in memberships	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Dividends	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Balance December 31, 2011	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net income	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Decrease in memberships	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Dividends	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Balance December 31, 2012	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]

The accompanying notes are an integral part of these financial statements.

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HERSHEY COOPERATIVE TELEPHONE COMPANY AND SUBSIDIARY HERSHEY, NEBRASKA CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Cash received from consumers	\$ [REDACTED]	\$ [REDACTED]
Cash paid to suppliers and employees	[REDACTED]	[REDACTED]
Interest and dividends received	[REDACTED]	[REDACTED]
Income taxes paid	[REDACTED]	[REDACTED]
Net cash provided by operating activities	[REDACTED]	[REDACTED]
Cash flows from investing activities:		
Construction and acquisition of plant	[REDACTED]	[REDACTED]
Purchases of cash investments	[REDACTED]	[REDACTED]
Proceeds from cash investments	[REDACTED]	[REDACTED]
Net cash provided (used) by investing activities	[REDACTED]	[REDACTED]
Cash flows from financing activities:		
Dividends paid	[REDACTED]	[REDACTED]
Increase (decrease) in:		
Patronage membership	[REDACTED]	[REDACTED]
Customer deposits and advanced payments	[REDACTED]	[REDACTED]
Net cash used by financing activities	[REDACTED]	[REDACTED]
Net increase (decrease) in cash	[REDACTED]	[REDACTED]
Cash -- beginning of year	[REDACTED]	[REDACTED]
Cash -- end of year	\$ [REDACTED]	\$ [REDACTED]

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HERSHEY COOPERATIVE TELEPHONE COMPANY AND SUBSIDIARY
HERSHEY, NEBRASKA
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(continued)

Received & Inspected
OCT 24 2013
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	<u>2012</u>	<u>2011</u>
Reconciliation of net income to net cash provided by operating activities:		
Net income	\$ [REDACTED]	\$ [REDACTED]
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	[REDACTED]	[REDACTED]
Loss on sale of equipment	[REDACTED]	[REDACTED]
Reinvested investment income	[REDACTED]	[REDACTED]
Patronage dividends	[REDACTED]	[REDACTED]
Deferred income taxes	[REDACTED]	[REDACTED]
(Increase) decrease in:		
Accounts receivable	[REDACTED]	[REDACTED]
Interest and dividends receivable	[REDACTED]	[REDACTED]
Prepaid expenses	[REDACTED]	[REDACTED]
Prepaid income taxes	[REDACTED]	[REDACTED]
Increase (decrease) in:		
Accounts payable	[REDACTED]	[REDACTED]
Accrued expenses	[REDACTED]	[REDACTED]
Net cash provided by operating activities	\$ [REDACTED]	\$ [REDACTED]

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HERSHEY COOPERATIVE TELEPHONE COMPANY AND SUBSIDIARY
HERSHEY, NEBRASKA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

Received & Inspected

OCT 24 2013

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Note 1 – Summary of Significant Accounting Policies

Nature of Operations

Hershey Cooperative Telephone Company and subsidiary provide telephone, cable television, internet and satellite internet services to subscribers in Hershey, Nebraska, and surrounding areas. Approximate operating revenues by activity are as follows: telephone service [REDACTED]; internet services [REDACTED]; cable television service [REDACTED]; nonregulated activities [REDACTED].

Principles of Consolidation

The consolidated financial statements include the accounts of Hershey Cooperative Telephone Company and its wholly-owned subsidiary, Access Direct Communications LLC. All material intercompany accounts and transactions have been eliminated.

System of Accounts

The accounting policies of the Company conform to generally accepted accounting principles and reflect practices appropriate to the telephone industry. The accounting records of the Company are maintained in accordance with the Uniform System of Accounts for Class A and B Telephone Utilities as prescribed by the Federal Communications Commission (FCC).

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Temporary Cash Investments

Cash consists primarily of checking and money market accounts, which may be liquidated in a period of less than 90 days. Certificates of deposits and other securities with original maturities over 90 days are classified as temporary cash investments. Certificates of deposits with maturities exceeding one year are classified as long-term. Cash and temporary cash investments are stated at cost, which approximates market value.

Telecommunications Accounts Receivable

Doubtful accounts are written off as deemed uncollectible. It is management's opinion that all accounts represented on the balance sheet at December 31, 2012 and 2011 are collectible. The Company grants credit to residents, substantially all of whom are local residents.

The Company's policy is to charge a \$ [REDACTED] service fee in lieu of finance charges on accounts not paid in 15 days. The Company terminates service on accounts over [REDACTED] days past due and considers accounts over [REDACTED] days past due as delinquent, which are then turned over for collection. There were no accounts over [REDACTED] days past due at December 31, 2012 and 2011.

Materials and Supplies

Inventories are stated at the lower of cost or market. Cost is determined principally by the average cost method.

REDACTED - FOR PUBLIC INSPECTION

HERSHEY COOPERATIVE TELEPHONE COMPANY AND SUBSIDIARY
HERSHEY, NEBRASKA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(continued)

Received & Inspected

OCT 24 2013

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Property and Equipment

Telephone plant is capitalized at original cost, including the capitalized cost of salaries and wages, materials, certain payroll taxes and employee benefits.

Renewals and betterments of units of property are charged to telephone plant in service. When telephone plant is retired, its cost is removed from the asset account and charged against accumulated depreciation, together with removal costs less any salvage realized. No gains or losses are recognized in connection with routine retirements of depreciable telephone property. Substantial early retirements of assets are charged to deferred charges and amortized in accordance with the rules and regulations of 47 CFR part 32. Repairs and renewals of minor items are expensed as incurred.

Depreciation

The Company provides for depreciation for financial reporting purposes and income tax purposes on the straight-line method by the application of rates based on the estimated service lives of the various classes of depreciable property.

Patronage Capital

The Company is a cooperative of which subscribers are members. Each subscriber becomes a member and receives a membership certificate which will allow the subscriber to vote at the annual meeting.

Revenue Recognition

Toll, access, local service and miscellaneous revenues are recognized when earned regardless of the period in which they are billed.

Network access revenue related to interlata and intralata toll service is received under a system of access charges. Access charges represent a methodology by which local telephone companies, including the Company, charge the long distance carrier for access and interconnection to local facilities. The Company follows an access tariff filed with the Nebraska Public Service Commission for intrastate charges and the Federal Communications Commission (FCC) for interstate charges.

When network access service revenues have been received pursuant to the settlement and access agreements above, they are divided into traffic sensitive, nontraffic sensitive and billing and collecting portions. The revenues are then either placed into a common pooling arrangement with other exchange carriers for redistribution or kept by the Company. The redistributions are made according to formulas established by the governing boards of the pools and are generally based upon expenses incurred and investment maintained. The Company participates in pooling arrangements with the National Exchange Carrier Association (NECA).

Interstate settlement, access, and pool distribution revenues are recorded when the amounts become determinable. Related expenses are recorded when incurred. Subsequent true-ups and retroactive adjustments, which are generally allowed for a period of [REDACTED] months after the close of the related calendar year, are recorded in the year in which such adjustments become determinable. Retroactive interstate adjustments increased net income by \$ [REDACTED] in 2012 and \$ [REDACTED] in 2011.

REDACTED - FOR PUBLIC INSPECTION

HERSHEY COOPERATIVE TELEPHONE COMPANY AND SUBSIDIARY

HERSHEY, NEBRASKA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

(continued)

Received & Inspected

OCT 24 2013

FCC Mail Room

Intrastate access revenues are based on a filed tariff and are not subject to change unless a new tariff is filed.

In addition to recoveries from NECA, the Company also receives revenue from the Universal Service High Cost Loop Fund administered by the Universal Service Administrative Company (USAC). The amount of support received from USAC is based on the number of customers served and the cost of providing services in that area being in excess of the national average, as determined by the FCC. The Company received \$ [REDACTED] and \$ [REDACTED] respectively, for the years ended December 31, 2012 and 2011.

The ability of NECA and USAC to provide these revenues to organizations similar to the Company is contingent upon regulatory and legislative rules which provide for the continuance of rate of return regulation and universal service support as currently enacted. Any regulatory or legislative changes that reduce the rate of return or universal support mechanism and the amount of revenues may have a material impact on the Company.

Income Taxes

In accordance with the Financial Accounting Standards Board's Accounting Standard's Codification (ASC) No. 740, the Company is required to inventory, evaluate, and measure all uncertain tax positions taken or to be taken on tax returns, and to record liabilities for the amount of such positions that may not be sustained, or may only partially be sustained, upon examination by relevant taxing authorities. The Company's income tax returns are subject to examination by taxing authorities for periods after December 31, 2009. It is managements' opinion that there are no significant unsustainable tax positions taken by the Company for the periods subject to examination.

Intangible Assets

The Company tests its spectrum license annually for impairment. The Company considers relevant cash flow and profitability information, including estimated future operating results, trends and other available information, in assessing whether the carrying value of intangible assets can be recovered. As of December 31, 2012, the estimated fair market value of the spectrum license was considered equal to or greater than the unamortized carrying cost of \$ [REDACTED]

Sales Tax

The Company excludes from its sales all sales taxes assessed to its customers. Sales taxes assessed are recorded as accrued liabilities on the balance sheet until remitted to the state agencies.

Note 2 – Temporary Investments

Temporary investments consist of certificates of deposits maturing within one year and investment in a Repurchase and Sale Agreement account with a local bank, stated at cost which approximates market value, and is currently yielding [REDACTED]. This investment is not insured by the Federal Deposit Insurance Corporation but is collateralized by a [REDACTED] and a [REDACTED].

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HERSHEY COOPERATIVE TELEPHONE COMPANY AND SUBSIDIARY
HERSHEY, NEBRASKA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
 (continued)

Received & Inspected

OCT 24 2013

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Note 3 – Investment in Property, Plant and Equipment

Telephone plant in service and under construction is stated at cost. Listed below are the major classes of telephone plant, composite depreciation rates and the associated depreciation reserves as of December 31, 2012 and 2011.

		<u>2012</u>		<u>2011</u>	
	<u>Rates</u>	<u>Plant</u>	<u>Reserve</u>	<u>Plant</u>	<u>Reserve</u>
Land		\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Motor vehicles and other work equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Buildings	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Furniture	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Office support equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Company communications equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Central office equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Customer premises wiring	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Buried plant	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Organization	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
		\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]

The Company provides for depreciation on a straight-line basis at annual rates which will amortize the depreciable property over its estimated useful life. Such provision as a percentage of the average balance of telephone plant in service was [REDACTED] percent in 2012 and [REDACTED] percent in 2011.

Note 4 – Nonregulated Equipment

Nonregulated property consists of:

	<u>2012</u>	<u>2011</u>
Customer premise equipment	\$ [REDACTED]	\$ [REDACTED]
Public telephone equipment	[REDACTED]	[REDACTED]
Cable television equipment	[REDACTED]	[REDACTED]
Distance learning equipment	[REDACTED]	[REDACTED]
Internet equipment	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
Less accumulated depreciation	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
Inventory for resale	[REDACTED]	[REDACTED]
Plant under construction	[REDACTED]	[REDACTED]
	\$ [REDACTED]	\$ [REDACTED]

Nonregulated equipment is stated at cost. The Company provides for depreciation for nonregulated equipment on a straight-line basis at annual rates which will amortize the depreciable property over its estimated useful life.

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HERSHEY COOPERATIVE TELEPHONE COMPANY AND SUBSIDIARY
HERSHEY, NEBRASKA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
 (continued)

Received & Inspected
 OCT 24 2013
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Following is a summary of net income (loss) from nonregulated activities for the years ended December 31, 2012 and 2011:

	<u>Income</u>	<u>Expense</u>	<u>Depreciation</u>	<u>2012</u> <u>Net</u>	<u>2011</u> <u>Net</u>
Customer premise leasing	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Cable television service	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Internet service	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]

Note 5 – Prepaid Expenses

The following is a summary of the amounts recorded as prepaid items as of December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Prepaid insurance	\$ [REDACTED]	\$ [REDACTED]
Other prepaid expenses	[REDACTED]	[REDACTED]
	\$ [REDACTED]	\$ [REDACTED]

Note 6 – Federal Income Taxes

The Company files under Section 501(c)12 of the Internal Revenue Code as a nonexempt cooperative, permitting the cooperative to exclude from taxable income, income generated from providing communication services to patrons. However, income from nonmember sources exceeded percentages of total income set by the Service thus requiring the Company to pay income tax on certain nonmember-sourced income.

The components of income tax expense for the years ended 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Current income tax expense:		
Federal	\$ [REDACTED]	\$ [REDACTED]
State	\$ [REDACTED]	\$ [REDACTED]
Deferred income tax expense:		
Federal	[REDACTED]	[REDACTED]
State	[REDACTED]	[REDACTED]
Total provision for income taxes	\$ [REDACTED]	\$ [REDACTED]

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HERSHEY COOPERATIVE TELEPHONE COMPANY AND SUBSIDIARY
HERSHEY, NEBRASKA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(continued)

Received & Inspected

OCT 24 2013

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Net deferred tax liability consists of the following:

Federal
State

\$		\$	
\$		\$	

The deferred tax liability results from the difference between book and tax basis of depreciable property and the use of accelerated depreciation methods for tax purposes.

The expected income tax provision that would result from applying statutory tax rates to income before income taxes differs from current expense for the following reasons:

1. Temporary differences created by using different depreciation and accounting methods for financial reporting than used for income tax purposes.
2. Permanent differences for expenses and patronage income which are not deductible or taxable for income tax purposes. Non-taxable patronage income for the years ended December 31, 2012 and 2011 were \$ and \$ respectively.

Note 7 – Concentration of Credit Risk

The Company maintains its cash balances at several financial institutions located in western Nebraska. At times, these balances may exceed the limits secured by the Federal Deposit Insurance Corporation. There were no deposits in excess of insured limits as of December 31, 2012.

Note 8 – Defined Benefit Plan

The Company participates in the Retirement & Security Program for Employees of the National Telecommunications Cooperative Association and its Member Systems (NTCA Fund). The Program is a defined benefit pension plan covering many of the full-time employees of NTCA, its affiliates and its members that have adopted the Program. Pursuant to IRC sections 413(c)(4), the Plan is considered Multiple Employer (other) Master Plan. The Program is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

The Company makes contributions quarterly to the Program for all eligible employees. These contributions are calculated as a contribution of each participant's compensation. Participants make a contribution to the Program to receive the employer's contribution. The participant may voluntarily contribute an amount of compensation each year under this program.

Participants who retire at age 65 (the Program's normal retirement age) or age 55 (the Program's early retirement age) or at an age between those two, are entitled to a monthly annuity or lump-sum payment. There is no minimum service requirement to qualify for this benefit; the benefit payable generally is reduced by the Program's early commencement factors if the participant retires before normal retirement age. However, the Company may pay an additional amount to provide employees an unreduced benefit as early as age 55. If a participant's age is at least 55 and age and service years added together equal at least 85 at retirement, the participant can receive an unreduced benefit when retiring before age 65. This benefit provision is called the "Rule-of-85."

The Company has fewer than participants and therefore, does not pay annual contributions that represent more than of the total annual contributions to the Program.

The Program does not have a certified zone status as currently defined by the Pension Protection Act of 2006 ("PPA") because the Program is considered a multiple employer plan pursuant to the Internal Revenue Code and ERISA, as noted above.

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HERSHEY COOPERATIVE TELEPHONE COMPANY AND SUBSIDIARY
HERSHEY, NEBRASKA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
 (continued)

Received & Inspected

OCT 24 2013

FCC Mail Room

The Program meets ERISA minimum funding requirements. The Funding Target Attainment Percentage valued as of January 1, 2011 is [REDACTED] Section 104 of PPA delays the effective date of funding rules for certain multiple employer rural cooperative plans. As such, the Program will not be subject to the PPA funding rules until after December 31, 2016.

The Company may be subject to a withdrawal liability if the Company ceases participation in the Program.

The assets and liabilities of the Plan are commingled resulting in the Program being considered a multiemployer plan under ASC No. 715. The company is required to recognize as the Net Pension Cost, the "required contributions" for the Program. "Required contributions" include annual contributions as indicated in the member's adoption agreement, plus retro costs payable, if any, for the period under audit.

<u>Pension Fund</u>	<u>EIN/Pension Plan Number</u>	<u>Pension Protection Act Zone Status</u>		<u>FIP/RP Status Pending Implemented</u>	<u>Contributions by Hershey Cooperative Telephone Co.</u>		<u>Surcharge Imposed</u>
		<u>2012</u>	<u>2011</u>		<u>2012</u>	<u>2011</u>	
[REDACTED]	[REDACTED]	N/A	N/A	N/A	\$ [REDACTED]	\$ [REDACTED]	[REDACTED]

- (a) Plan information for the NTCA Pension Fund is not publicly available. Based on the latest data available, the Program's plan assets were \$ [REDACTED] and \$ [REDACTED] for the plan years beginning January 1, 2011 and 2010, respectively. The actuarial present value of accumulated plan benefits was \$ [REDACTED] and \$ [REDACTED] for the plan years beginning January 1, 2011 and 2010, respectively; assuming a rate of return of [REDACTED]. The \$ [REDACTED] actuarial present value of accumulated plan benefits is the sum of the following:

- a. Present value of accrued benefits on January 1, 2010 of \$ [REDACTED] and
- b. Net increase during 2010 of \$ [REDACTED]

Note 9 – Subsequent Events

The Company has evaluated all subsequent events through February 1, 2013, the date the financial statements were available to be issued. There were no events that require disclosure.

REDACTED - FOR PUBLIC INSPECTION

Erickson & Brooks

CERTIFIED PUBLIC ACCOUNTANTS

TEVEN E. PRIBNOW
JANIEL J. WIESEN
KENT P. SPEICHER

2195 NORTH BROAD STREET
P.O. BOX 1270
FREMONT, NEBRASKA 68026-1270

(402) 721-3454
FAX (402) 721-2894

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INDEPENDENT AUDITORS' REPORT ON CONSOLIDATING INFORMATION

Board of Directors
Hershey Cooperative Telephone Company
Hershey, Nebraska

We have audited the consolidated financial statements of Hershey Cooperative Telephone Company and subsidiary as of and for the years ended December 31, 2012 and 2011, and our report thereon dated February 1, 2013, which expressed an unmodified opinion on those financial statements, appears on page one and two. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in Schedules I, II, and III is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

ERICKSON & BROOKS

Erickson & Brooks

Fremont, Nebraska
February 1, 2013

REDACTED - FOR PUBLIC INSPECTION

HERSHEY COOPERATIVE TELEPHONE COMPANY AND SUBSIDIARY HERSHEY, NEBRASKA SCHEDULE I - CONSOLIDATING BALANCE SHEET DECEMBER 31, 2012

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	Hershey Cooperative Telephone Company	Access Direct Communications LLC	Eliminations	Consolidated Total
<u>ASSETS</u>				
Current assets:				
Cash	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Temporary investments	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Accounts receivable, net	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other accounts receivable	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Interest and dividends receivable	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Materials and supplies	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Prepaid expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Prepaid income taxes	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Noncurrent assets:				
Investments:				
Inter-company receivables	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Investment in affiliates	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Long-term cash investments	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Nonregulated equipment - net	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other noncurrent assets	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Intangible assets	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Property, plant and equipment:				
Telecommunications plant in service	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Accumulated provision for depreciation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
<u>LIABILITIES AND EQUITIES</u>				
Current liabilities:				
Accounts payable	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Customer deposits	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Advance billings and payments	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Accrued expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Patronage dividends payable	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other liabilities and deferred credits:				
Liabilities and credits due affiliates	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Deferred income taxes	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Stockholders' equity:				
Membership certificates, [REDACTED] per certificate	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Patronage capital assigned	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Retained earnings	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]

REDACTED - FOR PUBLIC INSPECTION

HERSHEY COOPERATIVE TELEPHONE COMPANY AND SUBSIDIARY HERSHEY, NEBRASKA

SCHEDULE II - CONSOLIDATING STATEMENT OF INCOME, PATRONAGE AND OTHER EQUITIES FOR THE YEAR ENDED DECEMBER 31, 2012

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	Hershey Cooperative Telephone Company	Access Direct Communications LLC	Eliminations	FCC Mail Room Consolidated Total
Operating revenues:				
Basic local network services	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Network access services	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Billing and collection services	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Internet and ISP services	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Miscellaneous	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Less: uncollectible revenues	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Operating expenses:				
Plant specific operations	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Plant nonspecific operations	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Depreciation and amortization	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Customer operations	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Corporate operations	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other taxes	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Operating income	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other income (expense):				
Interest and dividend income	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Miscellaneous income/(expense)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Nonregulated loss	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Income from affiliates	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Income before income taxes	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Income taxes	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net income	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Beginning balance:				
Patronage and other equities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Retained earnings	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Less: Patronage distribution	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Ending balance	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]

REDACTED - FOR PUBLIC INSPECTION

HERSHEY COOPERATIVE TELEPHONE COMPANY AND SUBSIDIARY
HERSHEY, NEBRASKA
SCHEDULE III - CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

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	Hershey Cooperative Telephone Company	Access Direct Communications LLC	Elimination	Consolidated Total
Cash flows from operating activities:				
Cash received from consumers	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Cash paid to suppliers and employees	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Interest and dividends received	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Income taxes refunded/(paid)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net cash provided by operating activities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Cash flows from investing activities:				
Construction and acquisition of plant	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Purchases of cash investments	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Proceeds from cash investments	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net cash used by investing activities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Cash flows from financing activities:				
Dividends paid	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Increase (decrease) in:				
Patronage membership	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Transfers with affiliate	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Customer deposits and advanced payments	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net cash provided (used) by financing activities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net decrease in cash	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Cash - beginning of year	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Cash - end of year	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]

REDACTED - FOR PUBLIC INSPECTION

HERSHEY COOPERATIVE TELEPHONE COMPANY AND SUBSIDIARY HERSHEY, NEBRASKA SCHEDULE III - CONSOLIDATING STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2012 (continued)

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	Hershey Cooperative Telephone Company	Access Direct Communications LLC	Elimination	Consolidated Total
Reconciliation of net income to net cash provided by operating activities:				
Net income	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Adjustments to reconcile net income to net cash provided by operating activities:				
Income from affiliates	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Depreciation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Reinvested investment income	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Patronage dividends	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Deferred income taxes	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(Increase) decrease in:				
Accounts receivable	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Interest and dividends receivable	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Prepaid expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Prepaid income taxes	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Increase (decrease) in:				
Accounts payable	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Accrued expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net cash provided by operating activities	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]

**FCC Form 481 - Carrier Annual Reporting
Data Collection Form**

FCC Form 481

 OMB Control No. 3060-0986/OMB Control No. 3060-0815
July 2013

<010> Study Area Code	371561
<015> Study Area Name	HERSHEY COOP TEL CO
<020> Program Year	2014
<030> Contact Name: Person USAC should contact with questions about this data	Judy Christiansen
<035> Contact Telephone Number: Number of the person identified in data line <030>	402-398-0062
<039> Contact Email Address: Email of the person identified in data line <030>	jchristiansen@consortiaconsulting.com

ANNUAL REPORTING FOR ALL CARRIERS		54.313 Completion Required	54.422 Completion Required
(check box when complete)			
<100> Service Quality Improvement Reporting	(complete attached worksheet)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<200> Outage Reporting (voice)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<210> <input checked="" type="checkbox"/> <-- check box if no outages to report			
<300> Unfulfilled Service Requests (voice)	<input type="text" value="0"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<310> Detail on Attempts (voice)	(attach descriptive document)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<320> Unfulfilled Service Requests (broadband)		<input type="checkbox"/>	<input checked="" type="checkbox"/>
<330> Detail on Attempts (broadband)	(attach descriptive document)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<400> Number of Complaints per 1,000 customers (voice)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<410> Fixed	<input type="text" value="0.0"/>		
<420> Mobile	<input type="text" value="0.0"/>		
<430> Number of Complaints per 1,000 customers (broadband)		<input type="checkbox"/>	<input checked="" type="checkbox"/>
<440> Fixed	<input type="text"/>		
<450> Mobile	<input type="text"/>		
<500> Service Quality Standards & Consumer Protection Rules Compliance	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<510> 371561ne510	(attach descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<600> Functionality in Emergency Situations	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<610> 371561ne610	(attach descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<700> Company Price Offerings (voice)	(complete attached worksheet)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<710> Company Price Offerings (broadband)	(complete attached worksheet)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<800> Operating Companies and Affiliates	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<900> Tribal Land Offerings (Y/N)? <input type="radio"/> <input checked="" type="radio"/>	(if yes, complete attached worksheet)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<1000> Voice Services Rate Comparability	(check to indicate certification)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<1010>	(attach descriptive document)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<1100> Terrestrial Backhaul (Y/N)? <input checked="" type="radio"/> <input type="radio"/>	(if not, check to indicate certification)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<1110>	(complete attached worksheet)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<1200> Terms and Condition for Lifeline Customers	(complete attached worksheet)	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Price Cap Carriers, Proceed to Price Cap Additional Documentation Worksheet
 Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

<2000>	(check to indicate certification)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<2005>	(complete attached worksheet)	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Rate of Return Carriers, Proceed to ROR Additional Documentation Worksheet

<3000>	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<3005>	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

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**(100) Service Quality Improvement Reporting
Data Collection Form**

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010> Study Area Code

371561

<015> Study Area Name

HERSHEY COOP TEL CO

<020> Program Year

2014

<030> Contact Name - Person USAC should contact regarding this data

Judy Christiansen

<035> Contact Telephone Number - Number of person identified in data line <030>

402-398-0062

<039> Contact Email Address - Email Address of person identified in data line <030>

jchristiansen@consortiaconsulting.com

<110> Has your company received its ETC certification from the FCC?

(yes / no) ☐ ☒

If your answer to Line <110> is yes, do you have an existing §54.202(a) "5

<111> year plan" filed with the FCC?

(yes / no) ☐ ☐

If your answer to Line <111> is yes, then you are required to file a progress report, on line <112> delineating the status of your company's existing § 54.202(a) "5 year plan" on file with the FCC, as it relates to your provision of voice telephony service.

<112> Attach Five-Year Service Quality Improvement Plan or, in subsequent years, your annual progress report filed pursuant to 47 C.F.R. § 54.313(a)(1). If your company is a CETC which only receives frozen support, your progress report is only required to address voice telephony service.

Name of Attached Document (.pdf)

Please check these boxes below to confirm that the attached PDF, on line 112, contains a progress report on its five-year service quality improvement plan pursuant to § 54.202(a). The information shall be submitted at the wire center level or census block as appropriate.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<113> Maps detailing progress towards meeting plan targets

<114> Report how much universal service (USF) support was received

<115> How (USF) was used to improve service quality

<116> How (USF) was used to improve service coverage

<117> How (USF) was used to improve service capacity

<118> Provide an explanation of network improvement targets not met in the prior calendar year.

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FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

FCO Mail Room

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FCC Mail Room

09/30/2013

(800) Operating Companies
Data Collection Form

FCC Form 481
OMB Control No. 3060-0985/OMB Control No. 3060-0819
July 2013

371561

<010> Study Area Code

<015> Study Area Name

<020> Program Year

<030> Contact Name - Person USAC should contact regarding this data

<035> Contact Telephone Number - Number of person identified in data line <030>

<039> Contact Email Address - Email Address of person identified in data line <030>

Hershey Cooperative Telephone Company

<810> Reporting Carrier

<811> Holding Company

<812> Operating Company

<813>

Doing Business As Company or Brand Designation

Affiliates

SAC

-- See attached worksheet --

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FCC Form 481

FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
 July 2013

<010>	Study Area Code	371561
<015>	Study Area Name	HERSHEY COOP TEL CO
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Judy Christiansen
<035>	Contact Telephone Number - Number of person identified in data line <030>	402-398-0062
<039>	Contact Email Address - Email Address of person identified in data line <030>	jchristiansen@consortiaconsulting.com

-910> Tribal Land(s) on which ETC Serves

920> Tribal Government Engagement Obligation

If your company serves Tribal lands, please select (Yes/No, NA) for each these boxes to confirm the status described on the attached PDF, on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

[illegible]

<921>	Needs assessment and deployment planning with a focus on Tribal community anchor institutions;
<922>	Feasibility and sustainability planning;
<923>	Marketing services in a culturally sensitive manner;
<924>	Compliance with Rights of way processes
<925>	Compliance with Land Use permitting requirements
<926>	Compliance with Facilities Siting rules
<927>	Compliance with Environmental Review processes
<928>	Compliance with Cultural Preservation review processes
<929>	Compliance with Tribal Business and Licensing requirements.

**(1100) No Terrestrial Backhaul Reporting
Data Collection Form**

FCC Form 481
OMB Control No. 3060-0986/GMB Control No. 3060-0819
July 2013

371561

HERSHEY COOP TEL CO

2014

Judy Christiansen

402-398-0062

jchristiansen@consortiaconsulting.com

<010> Study Area Code

<015> Study Area Name

<020> Program Year

<030> Contact Name - Person USAC should contact regarding this data

<035> Contact Telephone Number - Number of person identified in data line <030>

<039> Contact Email Address - Email Address of person identified in data line <030>

Please check this box to confirm no terrestrial backhaul

<1120> options exist within the supported area pursuant to § 54.313(G)

Please check this box to confirm the reporting carrier offers

<1130> broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(G)

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(1200) Terms and Condition for Lifeline Customers

Lifeline

Data Collection Form

FCC Form 481

OMB Control No: 3060-0986/OMB Control No: 3060-0819

July 2013

371561

<010> Study Area Code

<015> Study Area Name

<020> Program Year

<030> Contact Name - Person USAC should contact regarding this data

402-398-0062

<035> Contact Telephone Number - Number of person identified in data line <030>

jchristiansen@consortiaconsulting.com

<039> Contact Email Address - Email Address of person identified in data line <030>

371561ne1210

<1210> Terms & Conditions of Voice Telephony Lifeline Plans

Name of attached document (.pdf)

<1220> Link to Public Website

HTTP

"Please check these boxes below to confirm that the attached PDF, on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

<1221>

Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers,



<1222>

Details on the number of minutes provided as part of the plan,



<1223>

Additional charges for toll calls, and rates for each such plan.



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FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

(2000) Price Cap Carrier Additional Documentation

Data Collection Form

Including Rate-of-Retain Carriers affiliated with Price Cap Local Exchange Carriers

371561

<010> Study Area Code

HERSHEY COOP TEL CO

<015> Study Area Name

2014

<020> Program Year

Judy Christiansen

<030> Contact Name - Person USAC should contact regarding this data

402-398-0062

<035> Contact Telephone Number - Number of person identified in data line <030>

jchristiansen@consortiaconsulting.com

<039> Contact Email Address - Email Address of person identified in data line <030>

CHECK the boxes below to note compliance as a recipient of Incremental Connect America Phase I support, frozen High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e) the information reported on this form and in the documents attached below is accurate.

Incremental Connect America Phase I reporting

<2010> 2nd Year Certification (47 CFR § 54.313(b)(1))

<2011> 3rd Year Certification (47 CFR § 54.313(b)(2))

Price Cap Carrier Receiving Frozen Support Certification (47 CFR § 54.312(a))

<2012> 2013 Frozen Support Certification

<2013> 2014 Frozen Support Certification

<2014> 2015 Frozen Support Certification

<2015> 2016 and future Frozen Support Certification

Price Cap Carrier Connect America ICC Support (47 CFR § 54.313(d))

<2016> Certification Support Used to Build Broadband

Connect America Phase II Reporting (47 CFR § 54.313(e))

<2017> 3rd year Broadband Service Certification

<2018> 5th year Broadband Service Certification

<2019> Interim Progress Certification

Please check the box to confirm that the attached PDF, on line 2021, contains the required information pursuant to § 54.313 (e)(3)(iii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.

<2020> Interim Progress Community Anchor Institutions

Name of Attached Document Listing Required Information

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OCT 24 2013

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FCC Form 431
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

(3000) Rate Of Return Carrier Additional Documentation

Data Collection Form

<010>	Study Area Code	371561
<015>	Study Area Name	HERSHEY COOP TEL CO
<020>	Program Year	2014
<025>	Contact Name - Person USAC should contact regarding this data	Judy Christensen
<030>	Contact Telephone Number - Number of person identified in data line <030>	402-398-0062
<035>	Contact Email Address - Email Address of person identified in data line <030>	jchristensen@consortiaconsulting.com

CHECK the boxes below to note compliance on its five year service quality plan (pursuant to 47 CFR § 54.202(a)) and, for privately held carriers, ensuring compliance with the financial reporting requirements set forth in 47 CFR § 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

Progress Report on 5 Year Plan

- (3010) Milestone Certification (47 CFR § 54.313(f)(1)(i))
Please check this box to confirm that the attached PDF, on line 3012, contains the required information pursuant to § 54.313 (f)(1)(ii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.
- (3011) Community Anchor Institutions (47 CFR § 54.313(f)(1)(iii))
Is your company a Privately Held ROR Carrier (47 CFR § 54.313(f)(2))
If yes, does your company file the RUS annual report
Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:
Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)
- (3015) PDF of Balance Sheet, Income Statement and Statement of Cash Flows
If the response is yes on line 3014, attach your company's RUS annual report and all required documentation
- (3017) If the response is no on line 3014, Is your company audited?
If the response is yes on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains:
Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications PDF of Balance Sheet, Income Statement and Statement of Cash Flows
- (3019) Management letter issued by the independent certified public accountant that performed the company's financial audit.
If the response is no on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains:
Copy of their financial statement which has been subject to review by an independent certified public accountant; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers.
- (3022) Underlying information subjected to a review by an independent certified public accountant
- (3023) Underlying information subjected to an officer certification.
- (3024) PDF of Balance Sheet, Income Statement and Statement of Cash Flows
- (3025) Attach the worksheet listing required information
- (3026)

Name of Attached Document Listing Required Information

☐

Name of Attached Document Listing Required Information

☒ (Yes/No)
☐ (Yes/No)

Name of Attached Document Listing Required Information

☒ (Yes/No)
☐ (Yes/No)

Name of Attached Document Listing Required Information

371561ne3026

09/30/2013

OCT 24 2013 Page 12

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**Certification - Reporting Carrier
Data Collection Form**

 FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
 July 2013

<010> Study Area Code	371561
<015> Study Area Name	HERSHEY COOP TEL CO
<020> Program Year	2014
<030> Contact Name - Person USAC should contact regarding this data	Judy Christiansen
<035> Contact Telephone Number - Number of person identified in data line <030>	402-398-0062
<039> Contact Email Address - Email Address of person identified in data line <030>	jchristiansen@consortiaconsulting.com

TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients

I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.

Name of Reporting Carrier:

Date

Signature of Authorized Officer:

Printed name of Authorized Officer:

Title or position of Authorized Officer:

Telephone number of Authorized Officer:

Study Area Code of Reporting Carrier:

Filing Due Date for this form:

Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.

OCT 24 2013

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Certification - Agent / Carrier
Data Collection FormFCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010> Study Area Code 371561
 <015> Study Area Name HERSHEY COOP TEL CO
 <020> Program Year 2014
 <030> Contact Name - Person USAC should contact regarding this data Judy Christiansen
 <035> Contact Telephone Number - Number of person identified in data line <030> 402-398-0062
 <039> Contact Email Address - Email Address of person identified in data line <030> jchristiansen@consortiaconsulting.com

TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) <u>Judy Christiansen</u> is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent:	Judy Christiansen
Name of Reporting Carrier:	HERSHEY COOP TEL CO
Signature of Authorized Officer:	CERTIFIED ONLINE
Printed name of Authorized Officer:	Rex Woolley
Title or position of Authorized Officer:	CEO
Telephone number of Authorized Officer:	308-368-5561
Study Area Code of Reporting Carrier:	371561
Filing Due Date for this form:	10/15/2013
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier:	HERSHEY COOP TEL CO
Name of Authorized Agent or Employee of Agent:	Judy Christiansen
Signature of Authorized Agent or Employee of Agent:	CERTIFIED ONLINE
Printed name of Authorized Agent or Employee of Agent:	Judy Christiansen
Title or position of Authorized Agent or Employee of Agent:	Consultant
Telephone number of Authorized Agent or Employee of Agent:	402-398-0062
Study Area Code of Reporting Carrier:	371561
Filing Due Date for this form:	10/15/2013
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

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Attachments

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Hershey Cooperative Telephone Company**Certification of Compliance with Applicable Service Quality Standards and Consumer Protection Rules****Service Quality Standards****The Company:**

- Provides voice grade access to the public switched network.
- Provides flat rated local exchange service with no additional charge to end users.
- Provides access to the emergency services provided by local government or other public safety organizations, such as 911 and enhanced 911.
- Provides toll blocking and toll limitation services.
- Advertises the availability of its services and the charges using media of general distribution and on its website.
- Maintains a business office providing customers with access to a customer service representative either in person or via a local telephone call or toll-free telephone number during normal business hours.
- Directs after hour calls and trouble reports to the on-call technician.
- Tracks all service orders to ensure they are completed in a timely manner.
- Measures its service connection and service interruption performance on a regular basis.
- Trains employees to:
 - Answer all incoming calls promptly.
 - Respond to all inquiries for information promptly and courteously.
 - Investigate thoroughly all customer complaints and handle appropriately according to the Company's guidelines for resolution of customer complaints.
 - Be knowledgeable about products and service offerings so they can assist the customer with selecting the best service option.
- Has a process for periodic inspection, testing and preventive maintenance of its equipment to permit the rendering of safe, adequate and continuous service at all times.

Consumer Protection Rules

The Company has established operating procedures designed to facilitate compliance with applicable consumer protection rules which include compliance with the Customer Proprietary Network Information (CPNI) rules. The operating procedures include:

- Appointment of a compliance officer.
- A manual detailing the specific procedures for protecting consumer information.
- Employee training on an annual basis.
- A disciplinary process for improper use of consumer information.

Hershey Cooperative Telephone Company
Functionality in Emergency Situations

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Back-Up Power

The Hershey central office has battery backup sufficient to power the office for approximately 8 hours. The office is also has a fixed, natural gas powered stand by generator equipped with an automatic start and transfer switch. All electronic network transmission equipment located outside of the central office has battery backup. These battery backup systems are capable of providing power for a minimum period of 8 hours. The company also has numerous portable generators that can be deployed to the remote locations in the event of prolonged power outages.

Rerouting of Traffic around Damaged Facilities

Hershey has full redundancy built into the electronic transmission equipment that carries interexchange carrier traffic to the tandem. Hershey connects to CenturyLink for the purpose of interexchange traffic to the tandem. CenturyLink does not provide a redundant cable route for the last mile connection to our exchange. Hershey has all needed splicing supplies and a fiber optic splicer on hand so that damage to facilities can be dealt with swiftly. Hershey does maintain redundant facilities to handle data traffic within our exchange.

Traffic Spikes

Hershey Telephone owns a MetaSwitch VP2510 soft switch. The switching fabric is capable of handling 250,000 BHCA (Busy Hour Call Attempts) our current BHCA is about 2800. Hershey currently supplies dial tone to less than 600 access lines. The MetaSwitch is equipped with peg counters that monitor the amount of traffic on the switch, these peg counters are monitored regularly. The company has more than adequate circuit capacity to handle incoming, outgoing, and emergency interexchange traffic.

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Hershey Cooperative Telephone Company**Nebraska Telephone Assistance Program Terms and Conditions****Nebraska Telephone Assistance Program**

The Nebraska Telephone Assistance Program (NTAP) is available for qualifying customers of Hershey Cooperative Telephone Company. NTAP assistance reduces the cost of basic, monthly local telephone service. Eligible consumers can receive up to \$12.75 per month in discounts. In addition, the Federal Universal Service Charge is not assessed to consumers participating in NTAP. Toll Blocking prevents the placement of all long distance calls for which a subscriber would be charged. Toll blocking is available to eligible consumers at no cost. Also, by choosing this option, consumers are usually not charged a deposit.

NTAP is administered by the Nebraska Public Service Commission.

NTAP Eligibility Information**Program Based Eligibility**

To qualify for NTAP, subscribers must either have an income that is at or below 135% of the Federal Poverty Guidelines, or the subscriber, one or more of the subscriber's dependents, or the subscriber's household must receive benefits from one of the following assistance programs:

- Low-Income Home Energy Assistance Program (LIHEAP)
- Federal Public Housing Assistance (Section 8)
- Medicaid
- Children's Health Insurance Program/Kids Connection (SAM, MAC or EMAC)
- Supplemental Nutrition Assistance Program (SNAP); (formerly the Food Stamps Program)
- Supplemental Security Income (SSI)
- Temporary Assistance for Needy Families (TANF)
- National School Lunch Program Free Lunch program
- State assistance programs (if applicable)

To receive an NTAP application, contact your local *Health and Human Services* agency caseworker or the *Nebraska Public Service Commission*, 1200 N Street, Suite 300, PO Box 94927, Lincoln, NE 68508-4927, Phone: 402-471-3101, Toll Free: 1-800-526-0017 or <https://ntap.gisworkshop.com/>

NTAP applicants must present documentation demonstrating eligibility either through participation in one of the qualifying federal assistance programs or through income-based means.

Acceptable documentation of program-based eligibility includes: current or prior year's statement of benefits from a qualifying state, federal or Tribal program; notice letter of participation in a qualifying state, federal or Tribal program; program participation documents; or another official document evidencing the consumer's participation in a qualifying state, federal or Tribal program.

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Income Based Eligibility

In addition, consumers are eligible for NTAP if their household income is at or below 135% of the federal poverty guidelines.

2013 Federal Poverty Guidelines – 135%

Household Size	48 Contiguous States and D.C.	Alaska	Hawaii
1	\$15,512	\$19,373	\$17,861
2	\$20,939	\$26,163	\$24,098
3	\$26,366	\$32,954	\$30,335
4	\$31,793	\$39,744	\$36,572
5	\$37,220	\$46,535	\$42,809
6	\$42,647	\$53,325	\$49,046
7	\$48,074	\$60,116	\$55,283
8	\$53,501	\$66,906	\$61,520
For each additional person, add	\$5,427	\$6,791	\$6,237

Acceptable documentation of income eligibility includes: prior year's state, federal or Tribal tax return; current income statement from an employer or paycheck stub; social security statement of benefits; Veterans Administration statement of benefits; retirement/pension statement of benefits; unemployment/workmen's compensation statement of benefits; federal or Tribal notice of letter participating in General Assistance; or a divorce decree or child support award or other official document containing income information.

Numbers of Minutes-of-Use Provided as Part of NTAP Program Service

Hershey Cooperative Telephone Company's Voice NTAP service includes unlimited local minutes-of-use within the toll-free calling area. Hershey Cooperative Telephone Company's Voice NTAP Plan does not include any free minutes-of-use for toll. Toll is billed at the standard toll rate depending on which interexchange carrier the consumer subscribes to for toll service. As part of the NTAP service, Toll blocking is available to eligible consumers at no cost.

Rates

Subscribers may receive the NTAP credit on any type or grade of local service, including bundled services that are normally offered by Hershey Cooperative Telephone Company. Advertised rates do not include any applicable taxes or surcharges.

Recertification of NTAP Eligibility

NTAP recipients are required to recertify their eligibility annually. Failure to properly recertify a recipient's continued eligibility for NTAP will result in termination of the NTAP recipient's monthly NTAP discount and de-enrollment from NTAP.

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Additional NTAP Program Information

NTAP is limited to one benefit per household, consisting of either wireline or wireless service. A household is defined as an individual or group of individuals who live together at the same address and share income and expenses. NTAP is a government benefit program, and consumers who willfully make false statements in order to obtain the benefit can be punished by fine or imprisonment or can be barred from the program.